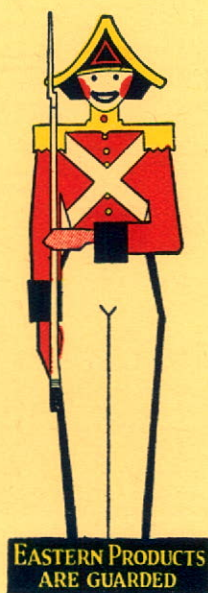


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EASTERN DAIRIES LIMITED



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**Annual Report
for the year ending
31st March, 1934**

EASTERN DAIRIES, LIMITED

OFFICERS

President and Managing Director

W. R. AIRD, Montreal

Vice-President

P. A. THOMSON, Montreal

DIRECTORS

W. R. AIRD		Montreal
A. J. NESBITT		Montreal
C. B. PRICE		Montreal
P. A. THOMSON		Montreal
H. R. TRENHOLME		Montreal

E. W. KING, Secretary-Treasurer

Fiscal Agents

NESBITT, THOMSON & COMPANY, LIMITED

Transfer Agents

MONTREAL TRUST COMPANY

Auditors

P. S. ROSS & SONS

EASTERN DAIRIES, LIMITED

To the Shareholders:

YOUR Directors submit herewith their Annual Report covering the operations of your Company and its Subsidiaries for the year ended March 31st, 1934, accompanied by a Consolidated Statement of Assets and Liabilities and Surplus Account, duly certified by the Company's auditors.

The net profits from operations for the year, and for the previous fiscal year ended March 31st, 1933, are as follows:

	1933	1934
Operating Profit.....	\$491,563.24	\$396,045.88
LESS:		
Bond Interest.....	\$180,000.00	\$178,100.86
Premium paid and accrued on Foreign funds for Bond Interest.....	24,090.01	6,004.17
Depreciation.....	225,000.00	200,000.00
Bond Discount and Expense.....	10,453.84	10,453.84
	439,543.85	394,558.87
	\$52,019.39	\$ 1,487.01

The Directors of Crescent Creamery Company, Limited, Winnipeg, Manitoba, decided to make a payment on account of arrears in the dividends on the Preferred Stock of that Company, and accordingly a dividend of \$1.00 per share was declared payable April 16th, 1934, to shareholders of record at the close of business March 31st, 1934. During the year no action was taken with respect to dividends on the Common Stock or the 7% Cumulative Preferred Stock of your Company.

The decrease in the earnings of your Company is due to the higher prices paid to the producers in proportion to the sales values obtained. The volume of products sold, and the value of these sales, were higher than during the previous year. Operating expenses were reduced by over \$200,000.00 from the previous year. During the year there was a decided upturn in values paid to the primary producers, resulting in an increase in the cost of supplies. Selling prices of dairy products did not, however, follow this trend.

A review of the sales records discloses an increase in the sales of by-products and other of the less profitable lines and a decrease in the sales of the higher priced and more profitable lines.

In the report for the previous year reference was made to sales through relief organizations, and during the current year sales through this source increased still further. These sales are made at lower than the regular retail prices although the service rendered is exactly the same. This increase in the number of customers who are obliged to seek relief has had an adverse effect on the earnings of your Company.

During the year your Company had to provide for a still further increase in taxation. In March, 1933, a tax of two cents a pound was levied on sales of sugar, and as your Company are purchasers of large quantities of this product the expense was increased by a considerable amount. It was not possible to add this extra taxation to the selling prices of your Company's products. This tax has since been reduced to one cent a pound effective May 21st, 1934.

EASTERN DAIRIES, LIMITED

The principal disturbing factor in the dairy industry is the continuing low values obtainable for milk for the production of butter, cheese, milk powder and other exportable products, resulting in large quantities of milk produced for this purpose being shipped to the cities at low prices, which in turn has the effect of breaking down selling prices and causing very unsettled conditions in the merchandising of dairy products.

Your Company is continuing the policy of purchasing only milk of the very highest quality, and for this reason has refused to purchase milk which has been offered at low prices, which for the most part comes from farms that are not up to the standards which your Company requires. Plants have been maintained in excellent condition, and only milk, cream, butter, ice cream and other dairy products of the best quality are offered for sale.

The excess of Current Assets over Current Liabilities is higher than at the end of the previous year. Cash on hand and in Banks totalled \$80,068.54 compared to \$43,611.76 at the end of the previous year. Bank Loans amounted to \$17,000.00 compared to \$55,897.29 at the end of the previous year. Inventories of products and supplies have been reduced to a minimum, consistent with efficient purchasing and the volume of products produced. While Accounts Receivable are slightly higher than at the end of the previous year collections have been somewhat better and your Company's losses in this regard have been comparatively small.

During the year your Company purchased on the open market \$101,000.00 of your Company's 6% Twenty Year Collateral Trust Bonds due May 1st, 1949, and delivered to the Montreal Trust Company, Trustee, \$50,000.00 of these bonds for cancellation in accordance with the terms of the Trust Deed, retaining in the treasury the balance, which is sufficient to take care of the next instalment due in 1935.

The value of your Company's Fixed Assets is approximately the same as at the end of the previous year. In view of the excellent position in which the plants are maintained, Capital Expenses of this nature were not large, and the amount of \$200,000.00 reserved for Depreciation is considered sufficient.

The Federal and Provincial Governments have during the past year given considerable attention to the dairy industry, and have adopted various measures in an effort to stabilize the industry and procure better prices for the producer. Up to the present time these measures have not benefitted your Company but your Directors are giving close attention to this trend towards Government control of the dairy industry, and are prepared to support any move which, in their opinion, will help to lift the industry out of its present somewhat chaotic condition.

Your Directors consider that the results of the year are satisfactory in view of the conditions which prevailed. Since the end of the fiscal year there have been indications of an improvement in general conditions, and your Directors believe that your Company is in an excellent position to enjoy the benefits of such improvement, and therefore look forward to the future with confidence.

The officers and staff have continued to render the same efficient and loyal service, and your Directors take pleasure in expressing appreciation of their co-operation.

Submitted on behalf of the Board.

W. R. AIRD, *President.*

EASTERN DAIRIES, LIM

CONSOLIDATED

AT 31st M

ASSETS

Current:

Cash on Hand and in Banks.....	\$ 80,068.54	
Accounts Receivable, less Reserve for Bad Debts.....	288,956.49	
Accrued Interest and Dividends Receivable.....	7,450.29	
Inventories of Products, Raw Materials, Ingredients, Manu- facturing, Advertising and Other Supplies at Cost.....	121,497.24	
Investment Securities at Cost*.....	\$487,617.25	
Investments held in Trust*.....	7,700.00	
	<u>495,317.25</u>	
*The aggregate value of these securities at 31st March, 1934 based upon available market quotations, or in the absence thereof, upon estimated fair values, was approximately \$272,423.63 less than the above book value.		
Cash Surrender Value—Life Insurance.....	14,640.30	
	<u>1,007,930.11</u>	

Other Assets:

Bonds held for Sinking Fund Payments.....	\$33,492.75	
Loans to Officers.....	3,979.23	
Deferred Accounts Receivable, less Reserve for Bad Debts...	33,594.02	
Balances of Agreements of Sale.....	35,500.00	
	<u>106,566.00</u>	

Fixed:

Land, Buildings, Plant and Machinery, Equipment and Furniture and Fixtures (at replacement values new, as established by the Canadian Appraisal Company Limited with subsequent additions at Cost).....	7,413,414.39	
Prepaid and Deferred Expenses.....	61,031.77	
Bond Discount and Organization Expense.....	157,687.48	
Goodwill (being excess of Purchase Price of Subsidiary Companies over total Book Value of Capital Stocks and Surpluses thereof at date of Acquisition).....	2,222,789.87	
	<u>\$10,969,419.62</u>	

Approved on behalf of the Board:

W. R. AIRD (Director)

H. R. TRENHOLME (Director)

ATED AND SUBSIDIARIES

BALANCE SHEET

ARCH, 1934

LIABILITIES

Current:

Bank Loan.....	\$ 17,000.00
Accounts Payable and Accrued Liabilities.....	309,052.03
Unredeemed Tickets.....	14,267.82
Salesmen's Deposits.....	51,983.60
Dividend Payable.....	10,000.00
Accrued Bond Interest.....	73,750.00

Deferred Revenue.....	\$ 476,053.45
Reserves for Depreciation.....	9,979.80
	1,838,629.18

Capital of Subsidiary Companies:

Crescent Creamery Company, Limited—

7% Cumulative Preferred Stock (callable at 105% upon 30 days' notice)	
Authorized, 14,500 Shares of \$100.00 each	
Issued and Outstanding, 10,000 Shares.....	\$1,000,000.00
(Dividend in arrears since 1st April, 1933, except for \$1.00 per share payable 16th April, 1934, to shareholders of record 31st March, 1934)	

Acme Farmers Dairy, Limited—

7% Cumulative Preferred Stock	
Authorized, 7,500 Shares of \$100.00 each	
Issued and Outstanding, 7,000 Shares.....	700,000.00
(Dividend in arrears since 1st January, 1933)	
	1,700,000.00

Six Per Cent Twenty Year First Collateral Trust Convertible Bonds, Series "A," due 1st May, 1949	2,950,000.00
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Capital:

7% Cumulative Preferred Stock (callable at 105% upon 30 days' notice)	
Authorized, 50,000 Shares of \$100.00 each	
Issued and Outstanding, 25,000 Shares.....	2,500,000.00
(Dividend in arrears since 1st January, 1933)	
Common Stock:	
Authorized 200,000 Shares of No Par Value*	
Issued and Outstanding, 93,423 Shares.....	1,466,995.00
Subscribed and allotted, 6,577 Shares.....	\$131,540.00
Less: Unpaid thereon.....	131,540.00

Surplus, subject to Federal and Provincial Taxes.....	27,762.19
	<u>\$10,969,419.62</u>

*41,300 Shares of No Par Value Common Stock reserved for conversion of bonds.

Auditor's Certificate

We have compared the attached Consolidated Balance Sheet at 31st March, 1934, with the books and records of Eastern Dairies, Limited and its Subsidiaries, with the exception of The Producers Dairy, Limited for which we have received certified statements.

We certify that, in our opinion, the attached Consolidated Balance Sheet has been drawn up so as to set forth a true and correct view of the financial position of Eastern Dairies, Limited and its Subsidiaries at 31st March, 1934, according to the best of our information, the explanations given to us and as shown by the books of the Companies examined by us and the certified statements given to us.

P. S. ROSS & SONS,
Chartered Accountants.

EASTERN DAIRIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED SURPLUS ACCOUNT AT 31st MARCH, 1934

Balance at Credit 31st March, 1933, before providing for Federal and Provincial Taxes.....	\$ 40,630.68	
LESS:		
Provincial Taxes paid.....	4,355.50	\$36,275.18
ADD:		
Net Profit for the year ended 31st March, 1934, before providing for Bond Interest, Depreciation and Income Taxes.....	\$388,578.39	
Discount on Bonds redeemed less loss on Sale of Securities.....	7,467.49	
	<u>\$396,045.88</u>	
LESS:		
Bond Interest.....	\$178,100.86	
Premium paid and accrued on Foreign Funds for Bond Interest.....	6,004.17	
Depreciation.....	200,000.00	
Amortization of Bond Discount and Expense....	10,453.84	
	<u>394,558.87</u>	1,487.01
		<u>37,762.19</u>
LESS:		
Dividend on Preferred Shares of Crescent Creamery Company, Limited.....		10,000.00
Balance at Credit 31st March, 1934, subject to Federal and Provincial Taxes.....		<u><u>\$ 27,762.19</u></u>

SUBSIDIARY COMPANIES

ACME FARMERS DAIRY, LIMITED TORONTO, ONT.

Main Plant	Walmer Road & Bridgman Street
Ice Cream Plant	254 Berkeley Street
Distributing Depot	2359 Danforth Avenue
“ “	Centre Island
Store	New Toronto
Powder and Condensing Plant	Napanee, Ont.
Powder, Condensing and Cheese Plant	Sydenham, Ont.
Storage Plant	21 Essex Avenue

HAMILTON, ONT.

797 Barton Street, East

G. A. AIRD, PRESIDENT AND MANAGING DIRECTOR

ELMHURST DAIRY, LIMITED MONTREAL, QUE.

Main Plant	7460 Upper Lachine Road
Distributing Depot	101 River Street, Verdun
“ “	6240 Hutchison Street, Outremont
Creamery	Richmond, Que.
“	L'Avenir, Que.

C. B. PRICE, MANAGING DIRECTOR

SUBSIDIARY COMPANIES

CRESCENT CREAMERY COMPANY, LIMITED WINNIPEG, MAN.

Main Plant	542 Sherburn Street
Ice Cream Plant	86 Burnell Street
Storage Plant	85 Lombard Street
Distributing Depot	Le Pas, Man.
" "	Fort William, Ont.
" "	Pine Falls, Man.
Branch	Killarney, Man.
"	Portage la Prairie, Man.
"	Swan River, Man.
"	Vita, Man.
"	Yorkton, Sask.
Receiving Station	Giroux, Man.
" "	Ste. Anne, Man.
" "	Letellier, Man.
" "	Oak Island, Man.
" "	Steinback, Man.
" "	La Broquerie, Man.

F. J. DONEGANI, VICE-PRESIDENT AND MANAGING DIRECTOR

THE PRODUCERS DAIRY, LIMITED OTTAWA, ONT.

Main Plant	275 Kent Street
Garage and Stables	28 Arthur Street
Distributing Depot	200 Boulevard St. Joseph, Hull, P.Q.
Creamery	Almonte, Ont.
"	Shawville, Que.
Cheese Factory	Township of Ramsay, Ont.

BOWER HENRY, PRESIDENT AND MANAGING DIRECTOR

